

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, April 2, 2015
Time: 3:30 P.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 555, S.D. 1, Relating to Tax Credits

The Department of Taxation (Department) appreciates the intent of S.B. 555, S.D. 1, and provides the following information and comments for your consideration.

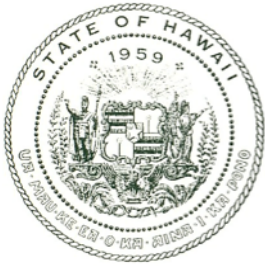
S.B. 555, S.D. 1 amends the Refundable Food/Excise Tax Credit by deleting the residency requirement and changing the amount of the credit. S.B. 555, S.D. 1 also repeals the credit for taxpayers filing a single return with adjusted gross income of over \$30,000 for the taxable year. The measure also specifically states the amount of the credit available to taxpayers filing as heads of household or married individuals filing separate returns. The changes would be effective for taxable years beginning after December 31, 2015.

The Department notes that the S.D. 1 version of S.B. 555 incorporates most of the Department's suggestions regarding the measure. The S.D. 1 version of this measure also creates a distinction between single taxpayers and taxpayers filing as heads of household or as married taxpayers. This change will require an adjustment to the Department's forms and instructions; however, the Department will be able to implement the amendment for taxable years beginning after December 31, 2015.

The estimated annual revenue loss would be \$6.5 million starting in FY 2017.

Thank you for the opportunity to provide comments.

HAWAII
STATE
COMMISSION
ON THE
STATUS
OF
WOMEN



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235 S. Beretania #407
Honolulu, HI 96813
Phone: 808-586-5758
FAX: 808-586-5756

April 1, 2015

To: Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Members of the House Committee on Finance

From: Cathy Betts, Executive Director
Hawaii State Commission on the Status of Women

Re: Testimony in Support, SB 555, SD1, Relating to Tax Credits

Thank you for this opportunity to testify in strong support of SB 555, SD1, which would increase the food excise tax credit. The food excise tax credit has not been adjusted for inflation since it was created in 2007. If passed, SB 555, SD1 would have a direct and positive economic effect on low income women and children.

Currently, Hawaii has the fifth highest rate of poverty in the nation, according to data from the United States Census Supplemental Poverty Measure. Hawaii is considered the 2nd worst state for taxing people in poverty. Many of our families are reliant on state benefits just to “get by” and the majority of those families are headed by women as sole or co-breadwinners of their households. Our working families face the highest cost of living in the nation. 78% of those living in poverty spend more than half of their income on housing.

The food excise tax credit was originally aimed at alleviating financial burden and mitigating the high cost of living for Hawaii’s families. However, it needs to be updated to retain value to our working families. The Commission urges this Committee to pass SB 555, SD1 and we support amendments as proposed by the Hawaii Appleseed Center for Law and Economic Justice. Thank you for this opportunity to testify.



SB555 SD1
RELATING TO TAX CREDITS
House Committee on Finance

April 2, 2015

3:30 p.m.

Room 308

The Office of Hawaiian Affairs (OHA) **SUPPORTS** SB555 SD1, which would relieve the tax burden on low-income individuals and families by increasing the refundable food/excise tax credit. OHA supports this bill as it fits within our strategic priority of improving the economic self-sufficiency of Native Hawaiians.

According to a report by the Institute on Taxation and Economic Policy (ITEP), Hawai‘i has the second heaviest tax burden in the country for the bottom 20% of income levels. For example, the General Excise Tax (GET) applies to virtually all goods and services purchased in the state, including necessities like food. Accordingly, both low- and high- income individuals are taxed at the same rate for essential purchases.

Notably, this tax burden on low-income taxpayers falls on a disproportionate number of Native Hawaiian families with children. Native Hawaiian families have substantially less income, making \$9,105 less per working individual than the state average, despite having a labor force participation rate 4.5% higher than the statewide rate. Additionally, this limited wealth must be distributed to a greater extent, as Native Hawaiians tend to live with family members at higher rates than the state average: 17.8% of the Native Hawaiian population (who live in households) live with relatives, compared with only 13.5% of the total state population who do so. SB555 SD1 thus proposes a pragmatic way to reduce the tax burden on our neediest populations, including Native Hawaiians in particular.

The refundable food/excise tax credit was created to offset the inherently regressive impact of the GET on low- and moderate-income households, and provide targeted relief to low- and moderate- income individuals. This credit has not been adjusted to keep up with the inflation that has occurred since it was first established eight years ago, in 2007. This measure would adjust the credit accordingly for individuals making under \$30,000, while also allowing families and heads of households making under \$50,000 to claim the credit. This measure also allows credits to be multiplied by the number of certain qualified exemptions (such as dependent children) claimed by a taxpayer, providing additional support for families in need.

Under this measure, Native Hawaiian families that struggle to pay rent and purchase necessities would receive meaningful relief, enhancing their ability to remain housing secure, contribute to our local economy, and achieve economic self-sufficiency.

Accordingly, OHA urges the Committee to **PASS** SB555 SD1. Mahalo nui for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Food/excise tax credit

BILL NUMBER: SB 555, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 235-55.85 to increase the food/excise tax credit based on the taxpayer's adjusted gross income (AGI) and filing status:

| Adjusted gross income (Taxpayers filing single returns) | Tax credit |
|--|------------|
|--|------------|

| | |
|-------------------------|--------|
| Under \$5,000 | \$ 110 |
| \$ 5,000 under \$10,000 | 100 |
| 10,000 under 15,000 | 85 |
| 15,000 under 20,000 | 70 |
| 20,000 under 30,000 | 55 |
| 30,000 and over | 0 |

| Adjusted gross income (Heads of households, married filing separately, married filing joint returns) | Tax credit |
|---|------------|
|---|------------|

| | |
|-------------------------|--------|
| Under \$5,000 | \$ 110 |
| \$ 5,000 under \$10,000 | 100 |
| 10,000 under 15,000 | 85 |
| 15,000 under 20,000 | 70 |
| 20,000 under 30,000 | 55 |
| 30,000 under 40,000 | 45 |
| 40,000 under 50,000 | 35 |
| 50,000 and over | 0 |

EFFECTIVE DATE: Tax years beginning after December 31, 2015

STAFF COMMENTS: This measure proposes to increase the refundable food/excise tax credit and provides that the amounts shall be adjusted according to the consumer price index beginning in 2016. While it appears that this measure proposes tax relief to lower income taxpayers, consideration should be given to adjusting the income tax rates or the threshold amounts so those taxpayers that these credits are aimed to help will not need to claim these credits to get tax relief. This would simplify taxpayer compliance since they would not have to fill out another form to claim these tax credits.

Digested 4/1/15



COMMITTEE ON FINANCE

Thursday, April 2, 2015, 3:30 pm

SB 555, SD 1, RELATING TO TAX CREDITS

Testifying in Strong Support

Good afternoon, Chair Luke, Vice Chair Nishimoto and Members of the Committee,

The Democratic Party of Hawaii **STRONGLY SUPPORTS** this bill.

SB 555, SD 1 would increase the refundable food/excise tax credit. The tax credit has not been adjusted for inflation since 2007 and this adjustment is overdue.

As shown in the recent report from the Institute on Taxation and Economic Policy, titled, "Who Pays?," Hawaii's state and local taxes fall most heavily on low and middle income earners, with high income earners paying the smallest proportion of their income in local taxes.

The State of Hawaii derives about 50% of its tax revenue from General Excise Tax receipts. The tax is ruthlessly efficient at collecting revenue and exports a significant portion of the burden to non-residents and part-time residents who would otherwise escape paying taxes to help fund public services in the state. A tax on essential items like food helps stabilize tax collections during recessionary periods. But because the net effect of the GET is to tax lower income residents at a higher effective rate than wealthier people, this has contributed to making our tax system highly regressive and at sharp odds with a core belief of Democrats.

The platform of the Democratic Party of Hawaii unequivocally states:

"We re-affirm our commitment to a progressive tax structure and will work to re-establish a system based upon 'ability to pay'."

The State Central Committee of the Democratic Party has therefore established support for Tax Fairness bills like SB 555 as **a top-tier priority** for the 2015 legislative session.

Increasing the refundable food excise tax credit will be a SMALL step towards mitigating the regressivity of the tax structure. This adjustment, by itself, is not a sufficient adjustment and we strongly urge other adjustments be made, such as increasing the renter's tax credit.

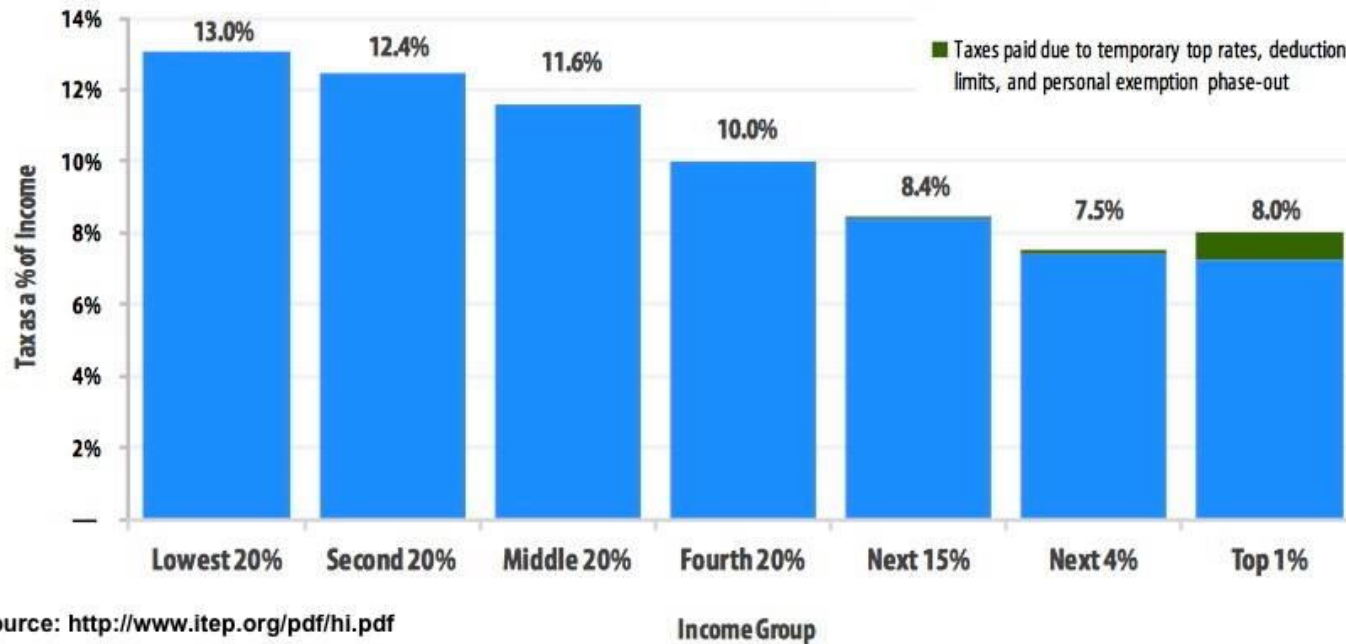
ATTACHED is a chart from the Institute on Taxation and Economic Policy which graphically illustrates the regressive structure of Hawaii current tax code. It shows how much work still needs to be done to restructure our tax system based upon Democratic values of fairness.

Thank you for this opportunity to testify. Please pass SB 555.

DEMOCRATIC PARTY OF HAWAII

404 Ward Ave., Suite 200 • Honolulu, HI 96814 • (808) 596-2980 • www.hawaiidemocrats.org

Temporary Income Tax Provisions in Hawaii are a Modest Step Toward Reduced Tax Regressivity



Source: <http://www.itep.org/pdf/hi.pdf>

To the right, you will see a green segment atop the tax rate paid by the 1%. That is a temporary tax hike, scheduled to expire at the end of 2015, unless the legislature acts to delete the "sunset" provision. So your legislator gets to CHOOSE, this coming session, if he/she wants to give the 1% a tax cut or not.

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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Senate Bill 555 Relating to Tax Credits
House Committee on Finance
Scheduled for Hearing Thursday, April 2, 2015, 3:30 PM, Room 308

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit law firm created to advocate on behalf of low income individuals and families in Hawai'i on policy and legal issues. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Thank you for the opportunity to testify in **strong support** of SB 555 SD1, which would increase the food/excise tax credit values and adjust the income eligibility levels. The credit value increases are essential to provide families with greater tax relief from the regressive impact of the General Excise Tax (GET). We also respectfully propose amendments to the Senate draft that would further adjust the income eligibility thresholds and add a provision to automatically increase the credit value and income thresholds with any increases in the Consumer Price Index.

It is clear that Hawai'i's low and moderate-income families need help making ends meet. Hawai'i is the most expensive place to live in the country, with a cost of living at more than 160 percent of the national average. Groceries cost 58 percent more here, and housing costs more than twice as much. Meanwhile, our wages are considered the lowest in the country when adjusted for the cost of living. We also face the **fifth highest rate of poverty** among the states based on the U.S. Census's 2013 Supplemental Poverty Measure, which figures in the cost of living as well as available government assistance. Even our moderate-income families struggle to make ends meet.

Hawai'i's regressive tax system only adds to working families' financial struggles. Residents in the bottom 20% of income pay almost twice the effective tax rate as the top 1%. The regressivity of our tax system is due in large part to the GET, which disproportionately burdens low-income families who must spend nearly all of their income just to get by. Virtually all goods and services are subject to the GET, including necessities such as food, medical services, and rent. To make matters worse, the GET's application to wholesale transactions results in a "pyramiding" effect that increases the price of goods and services.

The Institute on Taxation and Economic Policy has ranked Hawai'i as the **second worst state in the country for taxing low-income residents**. We also levy one of the highest income tax burdens on poor families with children. Right now, a family of four living at the poverty level (\$27,890) would owe \$664 in income taxes, including the \$45 per exemption food/excise tax credit. Applying the low income household renters credit of \$50 per exemption, this family would still owe almost \$500 in income taxes. This is on top of the percentage of their income that goes toward the GET: on average, a household in this income range spends 8.5% of their income on the GET, amounting to another \$2,371 annually. Hawai'i is taxing its working families—even those with children—deeper into poverty. Meanwhile, the wealthiest are paying far less of their income toward taxes. While these increased tax credits will not end this regressive structure, they will be a step in the right direction. That \$450 may not sound like much, but for a family in poverty, every dollar matters.

We do respectfully suggest that the Committee consider refining the proposed credit and income threshold structure. The current draft increases the credit values but caps eligibility for single individuals at \$30,000. Should the Committee support this reduction in eligibility for single filers, we propose that the draft be amended so that income thresholds for a single individual are half that of taxpayers filing as head of household or married filing jointly. The following tables illustrate this structure:

| Single | |
|---------------------|---------------------|
| <i>Income Range</i> | <i>Credit Value</i> |
| Under \$2,500 | \$110 |
| \$2,500–\$5,000 | \$100 |
| \$5,000–\$7,500 | \$85 |
| \$7,500–\$10,000 | \$70 |
| \$10,000–\$15,000 | \$55 |
| \$15,000–\$20,000 | \$45 |
| Over \$25,000 | – |

| Head of Household/Married Filing Jointly | |
|---|---------------------|
| <i>Income Range</i> | <i>Credit Value</i> |
| Under \$5,000 | \$110 |
| \$5,000–\$10,000 | \$100 |
| \$10,000–\$15,000 | \$85 |
| \$15,000–\$20,000 | \$70 |
| \$20,000–\$30,000 | \$55 |
| \$30,000–\$40,000 | \$45 |
| \$40,000–\$50,000 | \$35 |
| Over \$50,000 | – |

This structure would actually cost less than that proposed in SD1, and **these savings could be used to raise the income eligibility brackets to provide more meaningful relief** by providing bigger credits to those with slightly higher incomes (e.g., change the first bracket to \$0–\$3,000 for singles and \$0–\$6,000 for married couples, and so forth). We would also recommend increasing the income eligibility threshold for head of household/married filing jointly to **\$60,000**, which would essentially account for inflation since 2007, when the credit was last set. Correspondingly, we propose that the maximum eligibility for single filers be set at \$30,000.

We also respectfully request that the Committee consider including a provision to adjust the credit values and income brackets for annual changes in the Consumer Price Index. As prices rise, families pay more and more toward the GET, yet the credit value stays the same. Similarly, wages typically increase along with prices, meaning that many families in need will no longer be eligible. This becomes even more important in light of the potential extension of the GET rail surcharge.

All of Hawai'i's residents pay taxes in some form, and for low-income people, the GET imposes the greatest burden. This refundable tax credit targeted at low and moderate-income families is a key means to promote financial stability and create a more equitable tax system. We strongly urge you to increase the food/excise tax credit so that Hawai'i's families can better make ends meet. Again, thank you for the opportunity to testify in **strong support** of SB 555.

The Twenty-Eighth Legislature
Regular Session of 2015

HOUSE OF REPRESENTATIVES

Committee on Finance

Rep. Sylvia Luke, Chair

Rep. Scott Y. Nishimoto, Vice Chair

State Capitol, Conference Room 308

Thursday, April 2, 2015; 3:30 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 555, SD1
RELATING TO TAX CREDITS**

The ILWU Local 142 supports S.B. 555, SD1, which increases the refundable food/excise tax credit, repeals the credit for single taxpayers with adjusted gross incomes of \$30,000 or more, and repeals the residency requirement.

The cost of living in Hawaii is among the highest in the nation, yet wages have not kept pace with the increases in cost. As a result, lower income workers are paying a larger share of their earnings for basic needs like food, shelter, clothing, and other necessities of daily living.

S.B. 555, SD1 is a modest attempt at helping lower wage workers cope with the high cost of living by providing an increase in the refundable food/excise tax credit. This is an especially important tax credit as the Legislature is increasingly looking at the general excise tax as a means of raising revenues to support the State's general fund. An additional half percent is already assessed in Honolulu, earmarked for rail transit costs. Legislators are likely to view the GET as a source of funding to support other worthy projects. Low income workers need some protection against these increases—increasing the refundable food/excise tax credit is a small step in the right direction.

The ILWU urges passage of S.B. 555, SD1. Thank you for considering our views.



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March 31, 2015

Chair Luke and the Finance Committee

Re: SB 555 SD 1
Testimony in Support
Hearing on April 2, 2015

Dear Rep. Luke and Committee Members:

Americans for Democratic Action is an organization devoted to the promotion of progressive public policies.

We support SB 555 as a significant step in the direction of correcting our tax structure. We support raising the tax credits for low-income people to compensate for the GET tax on food. We especially like this bill as it incorporates an indexing function to keep the deduction in line with inflation. Our tax structure is currently regressive. Passing this bill and related bills to provide state income tax relief to our least fortunate citizens would place more money where it is best used for basic human needs.

Thank you for your consideration.

Sincerely,

John Bickel



PARTNERS IN CARE Oahu Continuum of Care

Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.

TESTIMONY IN SUPPORT OF SB 555: RELATING TO TAX CREDITS

TO: Representative Sylvia Luke, Chair; Representative Scott Nishimoto, Vice Chair;
and members of the House Committee on Finance
FROM: Betty Lou Larson, Advocacy Committee, Partners in Care
Hearing: **Thursday, April 2, 2015, 3:30 PM, Room 308**

Dear Chair Luke, Vice Chair Nishimoto, and members of the committee:

Thank you for the opportunity to provide testimony in **strong support** of SB 555 to increase the food/excise tax credit. I am Betty Lou Larson from the Advocacy Committee of Partners in Care. We support this policy to promote the financial security of low-income families at risk of homelessness and to help those transitioning out of homelessness to get back on their feet.

Hawai'i has the highest cost of living in the United States, at nearly 160% of the national average. Groceries here cost almost 60% more than they do on the mainland, with housing costing twice as much. We have the 5th highest rate of poverty among the states, with 18.4% of our households considered poor under the U.S. Census's Supplemental Poverty Measure. Given the high cost of living and high poverty rate, it is no surprise that we have the **highest rate of homelessness** among the states.

Our providers have found that for many families who are living paycheck to paycheck, even a small crisis such as a car breakdown can be the precipitating event for homelessness. Thirty percent of Hawaii's residents live in liquid asset poverty, meaning that if they were to lose their income, they would have insufficient liquid assets to survive at the poverty level for just three months, putting them at severe risk of homelessness. Increasing the food/excise tax credit will help provide a buffer by alleviating the tax burden on our low-income families.

Everyone who purchases anything in Hawai'i pays taxes, and our poorest residents spend 11% of their income on the GET, making it even harder for them to achieve financial self-sufficiency. The food/excise tax credit is a way to alleviate this tax burden. This credit is particularly important for the people we serve, because even those with little or no income tax liability can receive a credit to refund them for the GET they have paid on purchases throughout the year, as well as their rent. Landlords will pass along their costs, including the GET, in their rents. This means that a family renting a two bedroom apartment in Honolulu at fair market rent (\$1,810) is actually paying approximately \$78 a month toward the landlord's GET.

Unfortunately, this credit has not been adjusted for inflation since its creation in 2007. We strongly urge the committee to support this measure and update the credit values and income eligibility thresholds. Again, thank you for the opportunity for Partners in Care to testify in **strong support** of SB 555. Please contact me at (808) 373-0356 or bettylou.larson@catholiccharities.org if you have any questions.



PARTNERS IN CARE

Oahu Continuum of Care

Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.

TO: Representative Sylvia Luke, Chair; Representative Scott Nishimoto, Vice Chair;
and members of the House Committee on Finance
FROM: Fr. Robert Stark, Catholic Diocese of Honolulu Office for Social Ministry
Hearing: **Thursday, April 2, 2015, 3:30 PM, Room 308**

Dear Chair Luke, Vice Chair Nishimoto, and members of the committee:

Thank you for the opportunity to provide testimony in **strong support** of SB 555 to increase the food/excise tax credit. I am Fr. Robert Stark from the Catholic Diocese of Honolulu Office for Social Ministry which serves 66 Catholic parishes throughout Hawaii. We support this policy to promote the financial security of low-income families at risk of homelessness and to help those transitioning out of homelessness to get back on their feet.

Hawaii has the highest cost of living in the United States, at nearly 160% of the national average. Groceries here cost almost 60% more than they do on the mainland, with housing costing twice as much. We have the 5th highest rate of poverty among the states, with 18.4% of our households considered poor under the U.S. Census's Supplemental Poverty Measure. Given the high cost of living and high poverty rate, it is no surprise that we have the **highest rate of homelessness** among the states.

We have found that for many families who are living paycheck to paycheck, even a small crisis such as a car breakdown can be the precipitating event for homelessness. Thirty percent of Hawaii's residents live in liquid asset poverty, meaning that if they were to lose their income, they would have insufficient liquid assets to survive at the poverty level for just three months, putting them at severe risk of homelessness. Increasing the food/excise tax credit will help provide a buffer by alleviating the tax burden on our low-income families.

Everyone who purchases anything in Hawaii pays taxes, and our poorest residents spend 11% of their income on the GET, making it even harder for them to achieve financial self-sufficiency. The food/excise tax credit is a way to alleviate this tax burden. This credit is particularly important for the people we serve, because even those with little or no income tax liability can receive a credit to refund them for the GET they have paid on purchases throughout the year, as well as their rent.

Unfortunately, this credit has not been adjusted for inflation since its creation in 2007. We strongly urge the committee to support this measure and update the credit values and income eligibility thresholds. We also encourage the committee to key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward. The food/excise tax credit is an effective way help our most vulnerable individuals, but it must be updated to achieve its purpose.

Again, thank you for the opportunity for the Catholic Diocese of Honolulu Office for Social Ministry to testify in **strong support** of SB 555. Please support this vital effort. Mahalo nui loa.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwvhawaii.com

COMMITTEE ON FINANCE

THURSDAY, APR. 2, 2015, 3:30 P.M., CONFERENCE ROOM 308
SB555 SD1, RELATING TO TAX CREDITS
TESTIMONY

Beppie Shapiro, League of Women Voters of Hawaii

Chair LUKE, Vice-Chair NISHIMOTO, and Committee Members:

The League of Women Voters of Hawaii strongly supports SB555 SD1. This measure would increase the refundable food/excise tax credit.

The League believes that public policy should promote self-sufficiency, and the preponderance of research demonstrates that the most effective social programs to address health, education, and decrease use of social services are those designed to prevent or reduce poverty.

Hawai'i's GET, with its universal reach and pyramiding, is very regressive – the poor pay a much greater share of their income in taxes due largely to the GET. Providing some relief via an increase in the refundable food/excise tax credit is an obvious way to compensate our neediest families.

As to the amount of increase, it seems only fair to restore the value of the credit in 2007, in 2013 dollars. Sadly the depth of poverty experienced by the poorest families has increased over this time frame. Surely we can find the will to assist these struggling families recoup the extra burden they face in the GET.

It is worth noting that those benefitting from an increased credit will undoubtedly spend the amount they gain quickly, on basic necessities – contributing a portion of what they have received back to the general fund via the GET, while also boosting the local economy.

We are happy to see an early date for implementing SB555 SD1.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
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We regret very much the deletion in SD1 of indexing to the CPI. We note that no one who testified in the 2014 Legislative session on SB2202, SD1 opposed the idea of adjusting the credits upward to account for inflation. The Department of Taxation recommended a flat amount of annual increase rather than applying the CPI; their reasoning that using the CPI would be difficult for the Department is puzzling. The CPI, easily available, is stated as a percentage which should be easily applied to the credit amount in the past year. Possibly the Department's present computer system makes inputting the percentage of increase difficult? Either re-programming the computer software, or using a relatively simple "work-around" strategy, could overcome this objection and retain the desirable indexing to inflation. Increases by flat amounts also fall in value over time, due to inflation, but would be preferable to no specified increases.

The Standing Committee Report by the Committee on Ways and Means contains no explanation of why this important part of SB555 was deleted. We can easily see the importance of building in such an inflation adjustment, when we consider the decrease in value to the 2015 taxpayer of the amounts specified in 2007. Just in terms of legislators' time and energy, an automatic increase would save the effort of revisiting the amount of credit every few years.

We encourage you to restore indexing the amount of credit by annual increase in CPI and to pass this measure.

Thank you for the opportunity to submit testimony.



The Public Policy Voice for the Roman Catholic Church in the State of Hawaii

HEARING: House Committee on Finance (CORRECTED COMMITTEE)
SUBMITTED: April 1, 2015
TO: House Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Scott Nishimoto, Vice Chair
FROM: Walter Yoshimitsu, Executive Director
RE: Support for SB 555 SD1 Relating to Tax Credits

Honorable Chair and members of the House Committee on Finance, I am Walter Yoshimitsu, **representing the Hawaii Catholic Conference**. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in the State of Hawaii, which under the leadership of Bishop Larry Silva, represents Roman Catholics in Hawaii. We support this bill because families in Hawai'i face the highest cost of living in the nation (over 160% of the national average). SB 555 addresses this problem head on!

The Hawaii Catholic Conference strongly supports policies and programs that support the life and dignity of every human person from conception through natural death. We believe that every human being is created in God's image and, without exception, possesses dignity and value. Our public policy positions are rooted in Catholic social and moral teaching and serve to: uphold the sanctity of life; lift up the poor and vulnerable; and help promote the common good.

Our Catholic tradition instructs us to care for the widow and the orphan, the struggling, the voiceless and the outcast. For 2000 years, the Catholic Church has manifested a special concern for the poor and the vulnerable. In these difficult economic times those unable to help themselves are in particular need of society's compassion. Right here in Hawai'i, some of our poorest tax payers pay, on average, 13.4 cents of every dollar of income.

These struggling families end up spending all of their income just to provide the bare necessities. This bill is a way to put money directly back into the hands of those who need it the most. Updating the definition of the tax credits as stated in SB 555 will be a great way to fight poverty in Hawai'i.

Mahalo for the opportunity to testify in support!

COMMUNITY ALLIANCE ON PRISONS

76 North King Street, Honolulu, HI 96817

Phone/E-Mail: (808) 533-3454 / kat.caphi@gmail.com



COMMITTEE ON FINANCE

Chair: Rep. Sylvia Luke

Vice Chair: Rep. Scott Nishimoto

Thursday, April 2, 2015

3:30 p.m.

Room 308

SUPPORT for SB 555 SD1 – REFUNDABLE FOOD, EXCISE TAX CREDIT

Aloha Chair Luke, Vice Chair Nishimoto and Members of the Committee!

My name is Kat Brady and I am the Coordinator Community Alliance on Prisons, a community initiative promoting smart justice policies for more than a decade. This testimony is respectfully offered always mindful that 6,000 Hawai'i individuals are living behind bars, including 1,800 men who are serving their sentences abroad, thousands of miles from their loved ones, their homes and, for the disproportionate number of incarcerated Native Hawaiians, far from their ancestral lands.

SB 555 SD1 increases the refundable food/excise tax credit; repeals credit for individual taxpayers with adjusted gross incomes of \$30,000 or above; repeals residency requirement and applies to taxable years beginning after 12/31/2015.

Community Alliance on Prisons supports this important measure.

An article¹ in last Fall's Honolulu Star Advertiser reported: *"Hawaii's middle class are the third-most overtaxed in the U.S., and the 20 percent of residents with the lowest incomes are the fourth-most overtaxed, making Hawaii's tax system second-worst in the nation, according to a study released Monday by the personal finance site WalletHub.com²."*

It has been said that a picture is worth a thousand words. We include a graphic from WalletHub that clearly illustrates the tax inequality in the U.S. and the next to last ranking of Hawai'i in state and local tax fairness.

| Ranking | State/Local Tax Fairness: Overall Ranking | State/Local Tax Fairness: Liberal Ranking | State/Local Tax Fairness: Conservative Ranking |
|---------|---|---|--|
| 49 | Hawaii | Hawaii | Hawaii |

¹ *Hawaii's tax system ranks as second-worst in nation*, By Erika Engle, Sep 15, 2014.

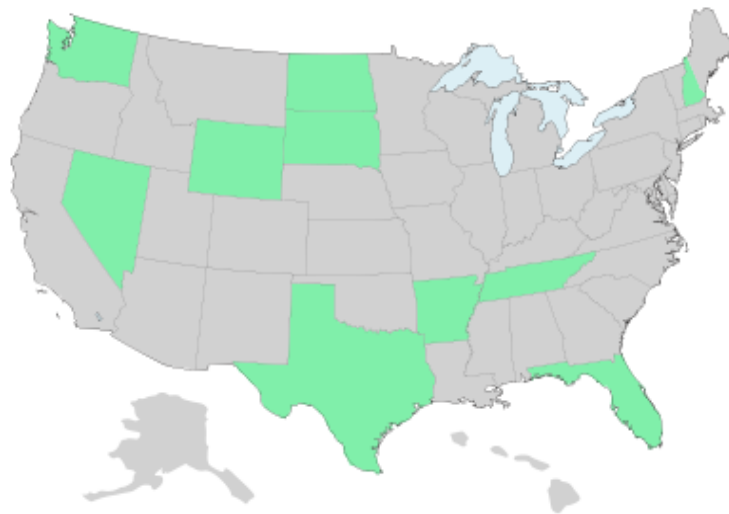
http://www.staradvertiser.com/news/breaking/20140915_Hawaiis_tax_system_the_secondworst_in_US.html?id=275208161

² *2014's Most & Least Fair State Tax Systems*, by John S Kiernan.

<http://wallethub.com/edu/most-least-fair-tax-systems/6598/>

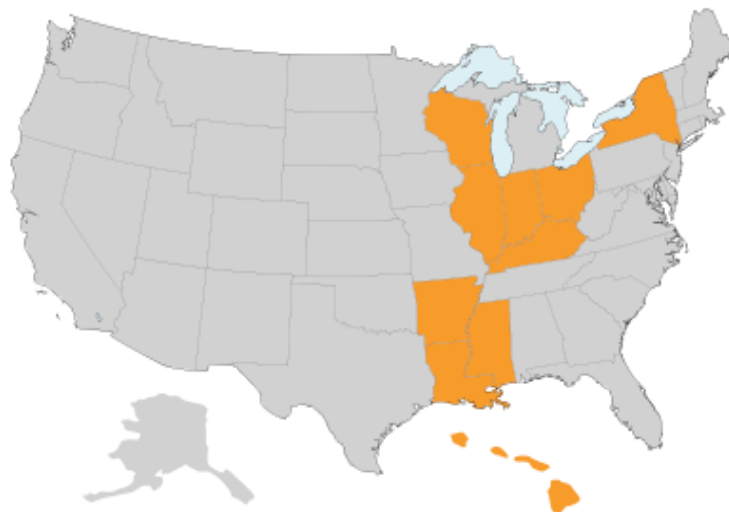
Top 10 States Where the Top 1% are Most **UNDERTaxed**

1. Wyoming
2. Arkansas
3. South Dakota
4. Florida
5. Nevada
6. New Hampshire
7. Washington
8. Texas
9. Tennessee
10. North Dakota



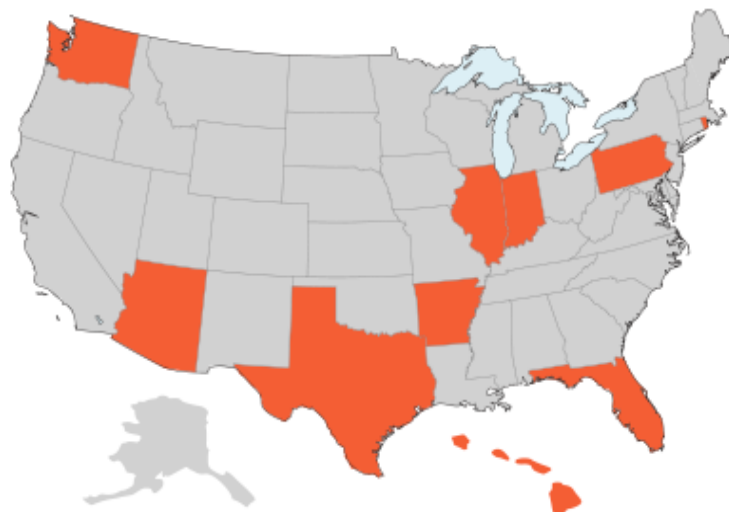
Top 10 States Where the Middle Class (40-60% income quintile) are most **OVER taxed**

1. Arkansas
2. New York
3. Hawaii
4. Mississippi
5. Kentucky
6. Indiana
7. Illinois
8. Ohio
9. Wisconsin
10. Louisiana



Top 10 States Where the Poor (Bottom 20%) are Most **OVERtaxed**

1. Washington
2. Illinois
3. Florida
4. Hawaii
5. Arizona
6. Texas
7. Indiana
8. Rhode Island
9. Arkansas
10. Pennsylvania



Hawai'i's families face the highest cost of living in the nation, at over 160% of the national average. Groceries cost almost 60% more than they do on the mainland. When adjusting for the cost of living, our residents are considered to earn the lowest wages in the country.

Under the Supplemental Poverty Measure, which considers both the cost of living and available government assistance, **Hawai'i has the fifth highest rate of poverty in the country, with nearly one out of five households falling under this threshold.**

Hawai'i's tax structure exacerbates the high cost of living, with our lowest-income residents facing the second heaviest tax burden in the country. Many working families in poverty – even those with children – owe hundreds in income taxes.

As James Baldwin said: *"Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor."*

Community Alliance on Prisons implores the committee to pass this important bill. A rising tide lifts all boats!

Mahalo for this opportunity to testify.



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

TESTIMONY FOR SENATE BILL 555, SENATE DRAFT 1, RELATING TO TAX CREDITS

**House Committee on Finance
Hon. Sylvia Luke, Chair
Hon. Scott Y. Nishimoto, Vice Chair**

**Thursday, April 2, 2015, 3:30 PM
State Capitol, Conference Room 308**

Honorable Chair Luke and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 300 local members. On behalf of our members, we offer this testimony in support of SB 555, SD 1, relating to the tax credits.

Today, Hawai'i has the highest cost of living in the United States, at nearly 160 percent of the national average. Groceries cost almost 60 percent more than they do on the mainland, with housing costing twice as much. Moreover, 18.4% of our households considered poor under the U.S. Census's Supplemental Poverty Measure, with our houseless population—already the highest rate in the nation per capita—growing daily, to over 4,400 on O'ahu and over 2,200 on the outer islands.

For poor people living paycheck to paycheck, any financial break is important. According to Partners In Care, **30 percent of Hawai'i's residents live in liquid asset poverty, meaning that if they were to lose their income, they would have insufficient liquid assets to survive at the poverty level for just three months, putting them at severe risk of homelessness.** As PIC has previously stated, “increasing the food/excise tax credit will help provide a buffer by alleviating the tax burden on our low-income families.”

Hawai'i's poorest residents pay 11 percent of their income on the GET, while our wealthiest residents pay only 1.3 percent. Yet, the food/excise credit credit has not been adjusted for inflation since its creation in 2007. Thus, We urge the committee to support this measure and update the credit values and income eligibility thresholds, while linking future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

Wednesday, April 1, 2015

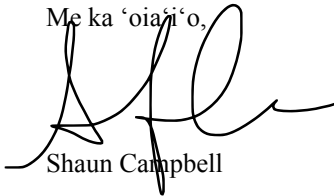
To: Representative Silvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Members of the House Committee on Finance

From: Honolulu Council of MoveOn.org

Re: Testimony in Strong Support of SB555, Relating to Tax Credits

We write in strong support of SB555, with the aim of increasing the refundable food/excise tax credit to help create a fairer tax system in Hawai'i. As you know, this tax credit has not been adjusted since 2007 and is overdue for an increase. Therefore, we respectfully urge you to pass this bill.

Me ka 'oia'i'o,

A handwritten signature in black ink, appearing to be 'Shaun Campbell', written over a horizontal line.

Co-Organizer
Honolulu Council of MoveOn.org

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 10:41 AM
To: FINTestimony
Cc: hlusk@chowproject.org
Subject: *Submitted testimony for SB555 on Apr 2, 2015 15:30PM*

SB555

Submitted on: 4/1/2015

Testimony for FIN on Apr 2, 2015 15:30PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|------------------|--------------------|--------------------|
| Heather Lusk | The CHOW Project | Support | No |

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 10:17 AM
To: FINTestimony
Cc: jbsestak@prodigy.net
Subject: *Submitted testimony for SB555 on Apr 2, 2015 15:30PM*

SB555

Submitted on: 4/1/2015

Testimony for FIN on Apr 2, 2015 15:30PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|----------------------|--------------------|--------------------|
| Betty Sestak | AAUW Windward Branch | Support | No |

Comments:

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 10:52 AM
To: FINTestimony
Cc: kalawaiag@hotmail.com
Subject: *Submitted testimony for SB555 on Apr 2, 2015 15:30PM*

SB555

Submitted on: 4/1/2015

Testimony for FIN on Apr 2, 2015 15:30PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------|--------------|--------------------|--------------------|
| Kalawai'a Goo | Individual | Support | No |

Comments:

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 7:41 AM
To: FINTestimony
Cc: barbara@island-law.com
Subject: Submitted testimony for SB555 on Apr 2, 2015 15:30PM

SB555

Submitted on: 4/1/2015

Testimony for FIN on Apr 2, 2015 15:30PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------------|--|--------------------|--------------------|
| Barbara L Franklin | Barbara L Franklin, Esq., Attorney at Law | Support | No |

Comments: I support removing food from the general excise tax because such a tax on food is the most regressive tax as it hits the poorest with the largest amount of tax. No one can avoid eating and to add tax to food punishes the working poor, the elderly, and others on fixed income the most.

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 2:30 PM
To: FINTestimony
Cc: brynvillers.hi@gmail.com
Subject: Submitted testimony for SB555 on Apr 2, 2015 15:30PM

SB555

Submitted on: 4/1/2015

Testimony for FIN on Apr 2, 2015 15:30PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--------------|--------------------|--------------------|
| Bryn Villers | Individual | Oppose | No |

Comments: This tax credit is intended to help the struggling, low-income, tax-paying, residents of Hawaii deal with the "paradise tax" on groceries. Residency should be required.

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 12:44 PM
To: FINTestimony
Cc: barbarapolk@hawaiiantel.net
Subject: Submitted testimony for SB555 on Apr 2, 2015 15:30PM

SB555

Submitted on: 4/1/2015

Testimony for FIN on Apr 2, 2015 15:30PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--------------|--------------------|--------------------|
| Barbara Polk | Individual | Support | No |

Comments: I urge you to pass SB555 to increase the refundable excise tax credit. At present, low income households in Hawaii pay more in taxes than almost any other state, and a very much higher percentage of their income in taxes than do households that are more affluent. Given Hawaii's high cost of living, passing this bill will give much needed, though very minimal, relief to low income households. Please pass SB555

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